

# Moving to Work (MTW): Housing Assistance Demonstration Program

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## Summary

The Moving to Work (MTW) demonstration program was created by Congress in 1996 to give the U.S. Department of Housing and Urban Development (HUD) and local Public Housing Authorities (PHAs) the flexibility to test alternative policies for providing housing assistance through the nation's two largest housing assistance programs: the Section 8 Housing Choice Voucher program and the public housing program. The alternative policies are meant to increase the cost-effectiveness of assisted housing programs, promote the self-sufficiency of assisted families, and increase housing choices for low-income families.

The more than 30 PHAs currently participating in the demonstration have adopted a wide range of new policies that would not have been possible under the traditional rules governing assisted housing programs. Participating PHAs have merged their various federal funding streams and used their merged, "block grant" funding to undertake new activities, including supportive services for residents, development of new affordable housing, and the restructuring of traditional public housing. MTW PHAs have also changed their rent policies in ways that may raise rents for some tenants, but may also improve incentives for families to increase earnings. Some PHAs have adopted policies that place new conditions on assistance, such as time limits and work requirements. And PHAs have undertaken changes to streamline administration of the program, such as modifying their quality inspection procedures.

The way the demonstration program was designed—allowing for a wide variety of activities—and issues with data collection have meant that no systematic evaluation of the outcome of the policies adopted by MTW agencies has been undertaken. However, HUD has made efforts to increase and standardize data collection within the MTW demonstration program, which may make such an evaluation more feasible in the future.

Both supporters and critics of the program have made observations about how the flexibility provided under MTW has been used, and those observations have influenced the policy debate about the future of the demonstration. Critics of the demonstration have argued that MTW agencies have been given unprecedented flexibilities, yet there is little understanding of the impacts those flexibilities have had on the lives of low-income families. Supporters of the demonstration have argued that the flexibility of MTW has allowed participating PHAs to serve more families in unique, improved, and cost-effective ways.

These competing perceptions of MTW have translated to conflicting calls to end the program, change the program, or expand the program. To some extent, these conflicting visions of the future of the program reflect different ideas about the program's purpose. Should MTW be used as a testing ground for evaluating innovative policies for the delivery of assisted housing? Or, should something like MTW replace the major housing assistance programs?

Regardless of whether Congress chooses to make changes to the MTW program, the policies adopted by participating PHAs appear to be influencing debates about assisted housing programs. Several of the policies adopted by MTW agencies are under consideration as permanent reforms for the public housing and Section 8 Housing Choice Voucher programs. As Congress considers the reform of federal housing assistance programs, policymakers may continue to look to lessons from the MTW demonstration program for insight.

## Contents

Introduction .....	1
History and Purpose of the MTW Demonstration Program .....	2
Authorizing Legislation .....	2
Policy Context.....	4
Program Implementation and Growth.....	4
Policies Implemented by MTW Agencies .....	8
Merged Funding Streams: Development Activities and Project-Basing.....	9
Public Housing Redevelopment.....	10
Project-Basing.....	11
Level of Assistance: Income, Rent, and Conditions of Assistance .....	12
Income and Rent Policies.....	12
Conditions of Assistance.....	14
New Administrative Flexibilities .....	15
Inspections .....	15
Reporting .....	16
Observations about Outcomes .....	17
Tenant Outcomes.....	17
Outcomes for PHA Operations.....	19
Future of the MTW Demonstration Program .....	20
Policy Option: Restructure MTW as More Effective Demonstration .....	20
Policy Option: MTW as an Expanded Permanent Program.....	21
Policy Option: The Status Quo.....	22

## Tables

Table 1. MTW Participating Agencies .....	7
Table 2. MTW Policies Involving Project-Based Assistance .....	11
Table 3. MTW Policies Affecting Tenant Income and Rent .....	14
Table 4. MTW Policies Imposing Conditions of Assistance .....	14
Table 5. MTW Inspection Policies .....	16

## Contacts

Author Information.....	23
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## Introduction

The Moving to Work (MTW) demonstration program was created by Congress in 1996 to give the U.S. Department of Housing and Urban Development (HUD) and local Public Housing Authorities (PHAs) the flexibility to test alternative policies for providing housing assistance through the nation's two largest housing assistance programs: the Section 8 Housing Choice Voucher program and the public housing program.<sup>1</sup> The alternative policies are meant to increase the cost-effectiveness of assisted housing programs, promote the self-sufficiency of assisted families, and increase housing choices for low-income families. Today, more than 30 PHAs are participating in MTW, and as of 2010, they managed approximately \$2.7 billion in Section 8 Housing Choice Voucher funding and \$1.1 billion in public housing funding, supporting 13% of all vouchers and 11% of all public housing units.<sup>2</sup>

More than a decade and a half since the inception of the demonstration, the future of MTW is uncertain. The current set of HUD-PHA agreements is set to expire in 2018, but calls for earlier changes to the program have emerged. Critics of the demonstration have argued that MTW agencies have been given unprecedented flexibilities, yet there is little understanding of the impacts those flexibilities have had on the lives of the low-income families PHAs are responsible for serving, and some concern that those impacts have been negative. Supporters of the demonstration have argued that the flexibility of the MTW demonstration program has allowed participating PHAs to serve more families in unique, improved, and cost-effective ways. These competing perceptions of the MTW demonstration program have translated to conflicting calls to end the program, change the program, or expand the program. Given the way the demonstration was designed and implemented, it is difficult to evaluate the effectiveness or efficiency of MTW agencies' specific policies, as measured against the program's statutory goals, and thus to assess the claims of critics or supporters.

These conflicting views of the MTW demonstration program's success highlight a key point for understanding discussions around the program's future. The MTW demonstration was initially intended to serve as a testing ground for innovations in the provision of assisted housing; some have contended that it should be restructured to better serve that purpose. Others believe that MTW agencies have demonstrated that PHAs can successfully operate outside of the traditional regulatory structure, and thus some version of the program should be considered as the future of assisted housing.

Despite the controversy around the future of the MTW demonstration program itself, the policies developed by MTW agencies have informed discussions about reforms to the mainstream assisted housing programs. For example, several of the program reforms being considered for the public housing and Section 8 Housing Choice Voucher programs have been implemented by MTW agencies. As Congress considers future reforms of federal housing assistance programs, policymakers may look to lessons from the MTW demonstration program for insight.

This report provides an overview of the history and purpose of the MTW demonstration program, followed by a description of some of the policies adopted by participating PHAs. It concludes by providing some observations about the outcomes of the program and discussing policy options for the future.

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<sup>1</sup> See the "What are the Public Housing and Section 8 Housing Choice Voucher Programs?" text box for more information.

<sup>2</sup> Emily Cadik and Amanda Nogic, "Moving to Work: Interim Policy Applications and the Future of the Demonstration," U.S. Department of Housing and Urban Development, August 2010, pg. 3 (hereinafter, 2010 Report).

### What are the Public Housing and Section 8 Housing Choice Voucher Programs?

In order to understand Moving to Work, it is important to have some understanding of the two programs for which the demonstration is intended to test new policies: the public housing program and the Section 8 Housing Choice Voucher program.

Public housing is rental housing owned by local PHAs and under contract with the federal government (HUD). Under the terms of those contracts, PHAs agree to rent their public housing properties to low- and very low-income families for below-market, income-based rents (generally, 30% of family income), subject to certain federal regulations. In exchange, PHAs receive two streams of federal funding: operating funding, which is meant to make up the difference between the low rents paid by tenants and the cost of operating and maintaining public housing properties; and capital funding, which is meant to help fund the major modernization and capital needs of the properties. Federal funding is limited to the existing stock of public housing units; PHAs are not authorized to create new units. The demand for public housing is greater than the supply of units in most communities and therefore there are generally waiting lists for assistance. (For more information about public housing, see CRS Report R41654, *Introduction to Public Housing*, by Maggie McCarty.)

The Section 8 Housing Choice Voucher program is also administered by local PHAs (although not all PHAs administer both programs) and funded by the federal government (HUD). Housing Choice Vouchers are portable rent subsidies that low- and very low-income families can use to subsidize their rents in the housing of their choice in the private market. The vouchers generally cover the difference between the minimum required tenant contributions toward rent (generally, 30% of family income) and the maximum allowable subsidy set by each PHA, based on local rents in the market, subject to federal limits. Federal funding is provided to PHAs to pay both the subsidy costs and the administrative costs of the program. Each PHA receives funding for a limited number of vouchers and the demand for vouchers exceeds the supply, so in most communities, there are waiting lists for assistance. (For more information about the Housing Choice Voucher program, see CRS Report RL32284, *An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance*, by Maggie McCarty.)

In the case of both programs, the basic structure of the assistance, minimum tenant contributions towards rent, maximum subsidy levels, minimum housing quality standards, and other program guidelines are set by federal statute and regulation. PHAs are provided with the discretion to set other local policies, such as local preferences in administering waiting lists and screening tenants for suitability for assistance. Participation in MTW allows PHAs greater discretion in administering both programs than is otherwise allowable under current law. (For more information about discretion allowed under current law, see CRS Report R42481, *The Use of Discretionary Authority in the Housing Choice Voucher Program: A CRS Study*, by Maggie McCarty.)

## History and Purpose of the MTW Demonstration Program

### Authorizing Legislation

Congress authorized the Moving to Work Demonstration Program in the FY1996 omnibus appropriations law (P.L. 104-134).<sup>3</sup> The authorizing language directs the Secretary of HUD to conduct a demonstration program providing PHAs with the flexibility to design and test approaches for providing housing assistance to low-income families outside of the rules that govern HUD's primary assisted housing programs: the Section 8 Housing Choice Voucher program and the low-rent public housing program. The intent is to test ways to achieve three policy objectives:

1. reducing costs and increasing cost-effectiveness in the provision of assisted housing,

<sup>3</sup> Section 204 of Title II of P.L. 104-134, codified at 42 USC 1437f Note.

2. encouraging the self-sufficiency of assisted families, and
3. increasing the housing choices for low-income families.<sup>4</sup>

The law directs the Secretary to select up to 30 PHAs for participation through a competitive process, and to conduct detailed evaluations for up to 15 participating agencies in order to identify replicable program models.

Legislative guidelines for the MTW demonstration program are broad. The law does not specify the approaches to assisted housing that MTW agencies are to develop and test. Instead, the law allows MTW agencies to develop their own policies to achieve the aforementioned objectives. Examples of the flexibilities provided under the law include allowing PHAs to combine their Section 8 voucher funding with public housing operating and capital funding, creating one funding stream for housing assistance and development, and allowing HUD to waive many of the statutory requirements for assisted housing programs as established by the U.S. Housing Act of 1937, as amended. The law explicitly permits PHAs to design a “reasonable” rent policy, designed to encourage employment and self-sufficiency by participating families. Further, the law directs that participating PHAs be held harmless in terms of funding.

However, the legislation also places limits on the flexibility allowed to MTW agencies. MTW agencies are required to

- serve substantially the same number and size-mix of families,
- guarantee that at least 75% of assisted families are low-income, and
- ensure that their assisted housing stock meets HUD-established housing quality standards.<sup>5</sup>

Further, the law prohibits HUD from issuing waivers of certain provisions of the U.S. Housing Act, including requirements related to public housing demolition and disposition, labor standards, and public housing community service requirements.<sup>6</sup>

The legislation also requires that PHAs seek public input in the development of their MTW policies. The law requires a PHA to hold a public hearing on its proposed policies prior to submitting an application to become an MTW agency. The PHA must then take into account the public comments within its MTW application plan.<sup>7</sup> That plan must spell out how the PHA intends to use its flexibilities under the MTW program. It must be approved by HUD in order for a PHA to participate in the MTW demonstration program and HUD must monitor MTW agencies’ compliance with their plans. The law goes on to require that MTW agencies submit annual reports to HUD that describe their use of funds, activities during the prior year, and any data required by the Secretary of HUD to assess the demonstration program.

Thus, the statutory authorization for the MTW demonstration program allows MTW agencies to implement a diverse set of policies and activities.

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<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

## Policy Context

To understand the structure of the MTW demonstration program, it is useful to understand the policy context that shaped its development.

The administration of public housing was a controversial issue during the 1980s and 1990s, due to concerns about rising costs, a decaying public housing stock, and a perception that public housing developments were pervaded with social ills.<sup>8</sup> Federal policymakers at the time, therefore, took interest in strategies that could reduce the cost of public housing while also improving its management.<sup>9</sup> Major public and assisted housing reforms were debated throughout this period.<sup>10</sup>

Several policy debates influenced the consideration of public housing reform and the resulting development of the MTW demonstration program. First, at the time, the concept of “block granting” was being explored in many social programs.<sup>11</sup> Housing practitioners and some federal policymakers wanted to explore the possibility of block granting or otherwise devolving assisted housing programs to the local level so that local officials would have greater autonomy to design programs and target funding to meet local community needs. This strategy was not universally supported, as some federal policymakers and tenant advocates believed that federal regulation of assisted housing programs was necessary to ensure the achievement of federal housing goals, such as desegregation.<sup>12</sup> Second, the welfare reform debates of the 1990s focused the attention of federal policymakers on increasing family self-sufficiency across social welfare programs, including housing assistance programs.<sup>13</sup> Third, federal policymakers and housing practitioners had increasingly come to believe that providing assisted housing through market-based approaches practiced by private industry would reduce assisted housing costs.<sup>14</sup> The MTW demonstration program was a compromise that allowed for the pursuit of all of these varying policy goals while largely maintaining the existing models of assisted housing.

## Program Implementation and Growth

HUD announced the demonstration program in December 1996 and received 43 applications for participation from PHAs.<sup>15</sup> From that pool of applicants, HUD selected 30 PHAs for participation.<sup>16</sup> The selected PHAs each entered into an individual negotiation process with

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<sup>8</sup> M.D. Abranvel, R.E. Smith, M.A. Turner, E.C. Cove, L.E. Harris, and C.A. Manjarrez, “Housing Agency Responses to Federal Deregulation: An Assessment of HUD’s ‘Moving to Work’ Demonstration (Final Report),” The Urban Institute, January 2004, pp. 6-7 (Hereinafter, 2004 Final Report).

<sup>9</sup> Ibid, pp. 6-7.

<sup>10</sup> These debates ultimately resulted in the enactment of the Quality Housing and Work Opportunity Reconciliation Act of 1998, P.L. 105-276.

<sup>11</sup> “Block grants are a form of grant-in-aid that the federal government uses to provide state and local governments a specified amount of funding to assist them in addressing broad purposes, such as community development, social services, public health, or law enforcement. Although legislation generally details the program’s parameters, state and local governments are typically provided greater flexibility in the use of the funds and are required to meet fewer administrative conditions than under categorical grants.” CRS Report R40486, *Block Grants: Perspectives and Controversies*, by Robert Jay Dilger and Eugene Boyd.

<sup>12</sup> 2004 Final Report, pp. 6-7.

<sup>13</sup> 2004 Final Report, pp. 6-7; see also CRS Report RS20807, *Short History of the 1996 Welfare Reform Law*, by Joe Richardson and Vee Burke.

<sup>14</sup> 2004 Final Report, pp. 6-7.

<sup>15</sup> 2004 Final Report.

<sup>16</sup> Of the 30 site slots that were made available, HUD set aside six for inclusion in the Jobs-Plus demonstration. The



various HUD offices to set the terms of their MTW agreements. That initial MTW negotiation process proved to be both complicated and lengthy as each statutory or regulatory waiver was individually approved.<sup>17</sup> The first agreement was reached in February 1998 and the majority of MTW agreements were signed in 1998 or 1999.<sup>18</sup>

Perhaps due to the delays in implementation, or perhaps due to the passage of a public and assisted housing reform law in 1998 that provided *all* PHAs increased flexibility in the administration of assisted housing programs (such as in selecting tenants),<sup>19</sup> six of the selected MTW agencies opted not to participate in the program.<sup>20</sup> In 2000, HUD competitively allocated the remaining six open spaces to housing authorities with more than 2,500 units (see **Table 1**).

Additional PHAs have become MTW agencies through acts of Congress and the program has grown beyond the original statutory cap of 30 PHAs (see **Table 1**). Congress specifically directed HUD to add the following PHAs to the MTW demonstration: Charlotte and Pittsburgh through P.L. 105-276; and Alaska, San Bernardino, CA, San Jose, CA, and Santa Clara, CA, through P.L. 110-161. Congress directed HUD to competitively select another three PHAs for participation in MTW through P.L. 111-8 and another three each through P.L. 111-117 and P.L. 112-10; all nine of these competitive slots were only available to high-performing PHAs with fewer than 5,000 assisted housing units, and three of the six competitive slots were open only to HOPE VI sites.<sup>21</sup>

Several MTW agencies completed their participation in the demonstration program and chose not to renew their agreements.<sup>22</sup> As a result, 35 PHAs are currently participating in the MTW demonstration program (see **Table 1**). HUD recently selected another four agencies to participate in MTW, although they had not yet finalized agreements with HUD at the time this report was last updated.<sup>23</sup>

The MTW authorizing language granted HUD broad discretion in administering the demonstration program and there have been criticisms of HUD's implementation. First, some PHAs were selected for participation despite prior poor performance.<sup>24</sup> Second, the design of the program's structure was not uniform, so MTW agencies implemented a variety of policies under a variety of agreements, making it difficult to compare across agencies. Third, HUD's data

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Jobs-Plus Community Revitalization Initiative was designed to test strategies to increase work, earnings, and quality of life for residents of public housing. For more information, see Howard S. Bloom et al., *Promoting Work in Public Housing: The Effectiveness of Jobs-Plus*, MDRC, Washington, DC, March 2005, <http://www.mdrc.org/publications/405/overview.html>.

<sup>17</sup> 2004 Final Report, pp. 19-20.

<sup>18</sup> See HUD's Key Dates for MTW Sites at [http://portal.hud.gov/hudportal/documents/huddoc?id=DOC\\_10135.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_10135.pdf).

<sup>19</sup> The Quality Housing and Work Opportunity Reconciliation Act of 1998, P.L. 105-276.

<sup>20</sup> 2004 Final Report, January 2004.

<sup>21</sup> The HOPE VI program was created in 1992 to provide funds to renovate or demolish existing public housing and replace it with mixed-income housing. For further detail, see CRS Report RL32236, *HOPE VI Public Housing Revitalization Program: Background, Funding, and Issues*, by Maggie McCarty.

<sup>22</sup> The majority of the agencies that ended their participation in the program were Jobs-Plus demonstration sites that had finished participation in that demonstration; see footnote 16 for more information about Jobs-Plus.

<sup>23</sup> See HUD PIH Notice 2012-16, last accessed at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/ph/mtw/competitionnotice](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw/competitionnotice) and [http://portal.hud.gov/hudportal/HUD?src=/press/press\\_releases\\_media\\_advisories/2012/HUDNo.12-194](http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2012/HUDNo.12-194).

<sup>24</sup> The Philadelphia Housing Authority and the Baltimore Housing Authority are two such PHAs. See Office of Inspector General, U.S. Department of Housing and Urban Development, "HUD's Oversight of the Philadelphia Housing Authority's Moving to Work Program," Audit Case Number 2004-PH-0003, March 17, 2004, pp. 6-7; and Office of Inspector General, U.S. Department of Housing and Urban Development, "Office of Inspector General, U.S. Department of Housing and Urban Development," Audit Case Number 2006-PH-0002, May 31, 2006.



systems did not allow for variations in PHA income and rent policies and thus could not accommodate data collection from MTW PHAs.<sup>25</sup> As a result, HUD was unable to collect information on tenant characteristics in the early years of the demonstration, which would be necessary to fully evaluate the effects of MTW policies on tenant outcomes and assisted housing program costs.<sup>26</sup> As a result of both data collection issues and the program's design, HUD has not been able to measure and compare the results of different MTW policies. While HUD has issued or contracted for several reports about MTW, these evaluations are largely process-oriented and limited to descriptions of policies adopted by PHAs.<sup>27</sup> HUD was criticized by its Inspector General for insufficient monitoring of the demonstration's implementation,<sup>28</sup> and in April 2012 the Government Accountability Office (GAO) issued a report recommending HUD undertake additional steps to improve its monitoring and oversight of the program.<sup>29</sup>

Partly in response to these critiques, HUD executed a standard MTW agreement with each participating agency in 2008. The standard agreement introduced uniform language for the MTW agreements and normalized reporting requirements, but still allowed MTW agencies flexibility to develop their own local policies. The standard MTW agreements extended MTW agencies' participation in the demonstration program until 2018.<sup>30</sup> HUD has stated it believes that the introduction of the standard agreement and the extension of the MTW demonstration program will allow for more systematic evaluation of MTW agencies' policies in the future.<sup>31</sup> However, the standard agreement does not require the standardization of performance data, which limits HUD's ability to evaluate specific policies implemented by MTW agencies.<sup>32</sup> In 2008, HUD also began to collect data on tenant characteristics, which might allow for some evaluation of MTW policies in terms of tenant outcomes and the cost of assisted housing.<sup>33</sup>

According to the 2012 GAO review, HUD has recently increased its efforts to monitor MTW agencies' compliance with the program's statutory purposes and requirements. For example, many of the terms in the MTW statute are undefined, including "self-sufficiency," "housing choice," and "comparable mix of families."<sup>34</sup> HUD has announced plans to require MTW agencies to create their own, or to adopt HUD's, definitions of "self-sufficiency" and "housing choice," and plans to provide MTW agencies with a template to collect data on what constitutes a "comparable mix of families."<sup>35</sup> In addition, in 2011 HUD undertook an assessment of whether MTW agencies met two of the statutory requirements of the program: (1) that 75% of individuals

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<sup>25</sup> 2004 Final Report, pp. 22-26.

<sup>26</sup> Ibid.

<sup>27</sup> 2004 Final Report; 2010 Report.

<sup>28</sup> U.S. Department of Housing and Urban Development, Office of Inspector General, "Design and Implementation of the Public Housing/Section 8 Moving to Work Demonstration Program," Audit Case Number 2005-SE-0001, April 12, 2005, pp. 7-8.

<sup>29</sup> U.S. Government Accountability Office, *Moving to Work Demonstration: Opportunities Exist to Improve Information and Monitoring*, GAO-12-490, April 2012.

<sup>30</sup> The authorizing statute left HUD the discretion to determine the length of the demonstration. The initial agreements were for 10 years, and all agreements under the standard agreement were negotiated through 2018. Renewals beyond that point will be at HUD's discretion.

<sup>31</sup> 2010 Report, p. 8; Ibid.

<sup>32</sup> U.S. Government Accountability Office, *Moving to Work Demonstration: Opportunities Exist to Improve Information and Monitoring*, GAO-12-490, April 2012, p. 15.

<sup>33</sup> Ibid, p. 18.

<sup>34</sup> Ibid, p. 27.

<sup>35</sup> Ibid.

served are low-income; and (2) that substantially the same number of families are served. In that review, HUD found that 91% of individuals served by MTW agencies were low-income and that all but one MTW agency served substantially the same number of families (defined by HUD as at least 95% of the number of families served by the PHA before it entered the MTW demonstration program).<sup>36</sup> The GAO report concluded that HUD's recent initiatives were moving in the right direction in terms of ensuring MTW agencies' compliance with statutory requirements, but it also concluded that without standard definitions and a systematic process, HUD cannot effectively evaluate whether MTW agencies are in full compliance with the statute.

A HUD IG report issued in September 2013 also noted that while HUD has taken some steps to improve its oversight of the MTW program, the department was still unable to ensure agencies' compliance with statutory requirements, among other issues. The IG report thus recommended HUD add no additional MTW agencies, or delay adding additional MTW agencies, until its administration of the program improved.<sup>37</sup>

**Table 1. MTW Participating Agencies**

Total participating as of December 2013: 35 MTW PHAs (4 additional agencies pending final agreements)

MTW PHAs		Entry Into Demonstration
<b>ORIGINAL MTW PHAs (17 Currently Participating)<sup>b</sup></b>	Cambridge (MA)	Original Competition
	Delaware (DE)	Original Competition
	Keene (NH)	Original Competition
	Lawrence-Douglas County (KS)	Original Competition
	Lincoln (NE)	Original Competition
	Louisville (KY)	Original Competition
	Massachusetts (MA)	Original Competition
	Minneapolis (MN)	Original Competition
	Portage (OH)	Original Competition
	Portland (OR)	Original Competition
	San Antonio (TX)	Original Competition
	San Mateo (CA)	Original Competition
	Seattle (WA)	Original Competition
	Tulare County (CA)	Original Competition
	Vancouver (WA)	Original Competition
	<del>Greene (NC)</del>	Original Competition, completed 2004
	<del>High Point (NC)</del>	Original Competition, completed 2004
	San Diego (CA)	Original Competition, completed 2004; HUD Direct Selection, <sup>a</sup> 2008
	Baltimore (MD)	Original Competition (Jobs-Plus, completed 2003); HUD Direct Selection, <sup>a</sup> 2008
	<del>Chattanooga (TN)</del>	Original Competition (Jobs-Plus), completed 2003
	<del>Cuyahoga (OH)</del>	Original Competition (Jobs-Plus), completed 2003
	<del>Dayton (OH)</del>	Original Competition (Jobs-Plus), completed 2003
	<del>Los Angeles (CA)</del>	Original Competition (Jobs-Plus), completed 2003
	<del>St. Paul (MN)</del>	Original Competition (Jobs-Plus), completed 2003
	Charlotte (NC)	Named in P.L. 105-276, 1999

<sup>36</sup> Ibid, p. 28.

<sup>37</sup> U.S. Department of Housing and Urban Development, Office of Inspector General, "HUD's Oversight of Its Moving to Work Demonstration Program Needs Improvement," Audit Case Number 2013-PIH-0004, September 217, 2013.

MTW PHAs		Entry Into Demonstration
<b>ADDITIONAL MTW PHAs (18)</b>	Pittsburgh (PA)	Named in P.L. 105-276, 1999
	Atlanta (GA)	Second Competition, 2000
	District of Columbia (DC)	Second Competition, 2000
	King County (WA)	Second Competition, 2000
	New Haven (CT)	Second Competition, 2000
	Oakland (CA)	Second Competition, 2000
	Philadelphia (PA)	Second Competition, 2000
	Chicago (IL)	HUD Direct Selection, <sup>a</sup> 2000
	Alaska (AK)	Named in P.L. 110-161, 2008
	San Bernardino (CA)	Named in P.L. 110-161, 2008
	San Jose (CA)	Named in P.L. 110-161, 2008
	Santa Clara (CA)	Named in P.L. 110-161, 2008
	Orlando (FL)	Competition pursuant to P.L. 111-8, 2009
	Tacoma (WA)	Competition pursuant to P.L. 111-8, 2009
	Champaign County (IL)	Competition pursuant to P.L. 111-8, 2009
	Boulder Housing Partners (CO)	Competition pursuant to P.L. 111-117, 2011
	Lexington-Fayette Urban County (KY)	Competition pursuant to P.L. 111-117, 2011
	Columbus (GA)*	Competition pursuant to P.L. 111-117/ P.L. 112-10, 2012 (pending final agreement)
	Fairfax (VA)*	Competition pursuant to P.L. 111-117/ P.L. 112-10, 2012 (pending final agreement)
	Holyoke (MA)*	Competition pursuant to P.L. 111-117/ P.L. 112-10, 2012 (pending final agreement)
	Reno (NV)*	Competition pursuant to P.L. 111-117/ P.L. 112-10, 2012 (pending final agreement)

**Source:** Table prepared by CRS, based on information available from HUD's website at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/ph/mtw/history](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw/history).

**Notes:** \*Denotes agency selected to participate, but final agreement had not been reached as of the date this report was last updated.

- a. In some cases, HUD directly selected PHAs to participate outside of the standard competitive process.
- b. As described earlier in this report, the original solicitation for applications happened in late 1996. Six of the PHAs originally selected elected not to participate: Birmingham, Cherokee Nation, Los Angeles County, Stevens Point, Tampa, and the Utah consortium (the Utah consortium included Salt Lake City, Salt Lake County, Davis County, Provo, and Ogden PHAs).

## Policies Implemented by MTW Agencies

As stated previously, MTW agencies have adopted a wide range of program activities. Some agencies have used the MTW demonstration program to fully transform their assisted housing programs, while others have made more modest policy changes.<sup>38</sup> Some agencies have applied their MTW policies to all of their assisted households while others have applied their MTW policies to subsets of their assisted housing populations or to select properties.<sup>39</sup>

The following section describes three policy areas in which MTW agencies have discretion and provides some examples of the policies that MTW agencies have developed in these areas. The

<sup>38</sup> 2004 Final Report, pp. 27-32.

<sup>39</sup> Ibid.

three areas discussed are (1) the merging of assisted housing program funding streams and development activities; (2) the level of assistance provided to program participants and conditions of assistance; and (3) other administrative flexibilities. Given the differences in scope and scale of MTW programs at participating agencies, the policies described in this section may also vary.

When possible, this section will note how MTW agencies have altered their policies over time. Given the limitations described earlier, this report does not attempt to evaluate the effectiveness or efficiency of the policies adopted by MTW agencies in relation to the goals of the program.

## **Merged Funding Streams: Development Activities and Project-Basing**

MTW agencies may elect to receive their federal Section 8 Housing Choice Voucher funding, public housing capital funding, and operating funding in one merged form, rather than through the standard set of several assisted housing funding streams.<sup>40</sup> This form of “block grant”<sup>41</sup> assistance departs from traditional program operations, in which each assisted housing program has a dedicated funding stream and there are few allowances for the use of funds across programs.<sup>42</sup> For instance, under the non-merged funding structure, Section 8 voucher funding can only be used for landlord payments; voucher funding cannot be used to fund the PHA’s administration of the program (they receive separate administrative fees for this purpose), the PHA’s public housing program, or its other low-income housing development plans.<sup>43</sup> In another departure from the traditional funding structure, the amount of MTW block grant assistance a PHA receives is not determined through traditional programmatic formulas but rather through the negotiation of the MTW agreement.<sup>44</sup>

At the outset of the demonstration program, only six MTW agencies elected to receive merged assistance funding,<sup>45</sup> but currently the majority of MTW PHAs receive merged funding.<sup>46</sup> A 2004 report showed that MTW agencies used this area of discretion in a limited fashion during the early years of the program. In general, MTW agencies used the merged funding flexibility to smooth financial shortfalls in particular programs and for cross-programmatic purposes that may have been approved by HUD in the absence of the MTW discretion.<sup>47</sup> Although MTW agencies appeared to use the funding flexibility for uses that were available absent merged funding, in interviews officials at MTW agencies stated that they believed that the funding flexibility provided by MTW created a level of autonomy from regulatory processes that encouraged alternative uses of funds.<sup>48</sup> For instance, some MTW agencies developed additional support services for tenants to increase self-sufficiency—these programs might have been possible under

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<sup>40</sup> As described earlier in the “What are the Public Housing and Section 8 Housing Choice Voucher Programs?” text box, PHAs that administer the Section 8 voucher program receive tenant-based rental assistance renewal payments and administrative fees and PHAs that administer the public housing program receive public housing capital and operating funds.

<sup>41</sup> The term “block grant” funding is used by HUD when describing merged funding under MTW; see also footnote 11.

<sup>42</sup> 2004 Final Report, pp. 40-43.

<sup>43</sup> U.S. Department of Housing and Urban Development. *PIH Notice 2011-059*. Last accessed March 14, 2012, at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/publications/notices/2011](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/publications/notices/2011).

<sup>44</sup> 2004 Final Report, pp. 40-43.

<sup>45</sup> Ibid.

<sup>46</sup> Count based on CRS analysis of MTW PHAs’ most recent plans, available from HUD’s website.

<sup>47</sup> Ibid, pp. 45-47.

<sup>48</sup> Ibid, pp. 61-62.

the traditional funding structure, but MTW agencies felt that they would not have undertaken them without funding flexibility.<sup>49</sup> Other MTW agencies used the funding flexibility for development uses that would not have been feasible without merged funding. These MTW agencies used their block grant assistance to leverage financing for the development of additional low-income housing units.<sup>50</sup>

## **Public Housing Redevelopment**

As noted earlier, more MTW agencies have now chosen to receive block grant funding, and they are using their funding flexibility broadly. Some MTW agencies have undertaken ambitious development activities, including the conversion of their public housing stocks to new forms of assistance. For example, two of the largest MTW agencies, the Chicago Housing Authority and the Atlanta Housing Authority, have used their MTW flexibility to undertake significant redevelopment of their public housing stock. The Chicago Housing Authority used its merged funding stream to attract private investment to its “Plan for Transformation,” in which the PHA has replaced large parts of its deteriorating public housing stock with new developments—many of which are in mixed-income communities.<sup>51</sup> When testifying before Congress, an official from the Chicago Housing Authority stated that the fixed 10-year merged MTW funding stream was key in obtaining financing for its transformation plan from private investors.<sup>52</sup> For instance, the committed funding stream allowed the Chicago Housing Authority to use revenue bond financing.<sup>53</sup> Similarly, Atlanta used its merged funding stream to finance the replacement of its distressed public housing stock.<sup>54</sup>

Other MTW agencies, such as the Keene Housing Authority and the Housing Authorities of the County of Santa Clara and the City of San Jose, have used the flexibility in their funding to convert public housing to project-based voucher developments, which is generally not possible under standard program rules (see discussion in next section and “Sample Policy: Keene Housing Authority (NH) and Project-Based Assistance” text box). The interest in converting public housing developments into new forms of assistance is generally driven by an interest in leveraging additional outside financing, which is limited in traditional public housing.<sup>55</sup>

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<sup>49</sup> Ibid, pp. 61-62.

<sup>50</sup> Ibid, pp. 62-63.

<sup>51</sup> 2010 Report, pp. 23-24.

<sup>52</sup> Testimony of CHA Director Terry Peterson, in U.S. Congress, House Committee on Government Reform, Public Housing Management: Do the Public Housing Authorities Have the Flexibility They Need to Meet the Changing Demands of the 21<sup>st</sup> Century?, hearings, 109<sup>th</sup> Cong., 2<sup>nd</sup> sess., May 10, 2006, Serial No. 109-209 (Washington, DC: GPO, 2007).

<sup>53</sup> Ibid.

<sup>54</sup> 2010 Report, pp. 24-25. Atlanta’s replacement of distressed housing stock was dependent on its ability to exceed typical Total Development Cost (TDC) limits set by HUD. MTW agencies no longer have this flexibility under recent HUD guidance.

<sup>55</sup> Existing public housing contracts limit the ability of PHAs to encumber the title of public housing developments by mortgaging them. If the existing contracts on public housing are ended, the properties are no longer considered public housing and the limitations on mortgaging the properties are lifted. HUD’s new Rental Assistance Demonstration is designed to test the idea of “vouchering out” public housing developments in non-MTW PHAs. For more about the Rental Assistance Demonstration, see <http://portal.hud.gov/hudportal/HUD?src=/RAD>.

## Project-Basing

“Project-basing” of vouchers is permitted in the traditional Section 8 Housing Choice Voucher program, but it appears to be a tool used more widely by MTW PHAs than non-MTW PHAs. In the traditional, HUD-regulated voucher program, a PHA may “project-base” some of its vouchers by signing a contract with a private property owner that reserves a portion of the building for low-income tenants; the voucher is then attached to the reserved units. The law that authorizes the voucher program limits project-basing such that PHAs may project-base only up to 20% of their tenant-based vouchers and cannot project-base more than 25% of the units in any private building, or project-base any units in a building receiving federal assisted housing funds (e.g., public housing units).<sup>56</sup> MTW agencies, however, may receive waivers of these restrictions and can, for instance, use their funding flexibility to:

- convert the whole of their public housing stock to project-based vouchers or other similar assistance,
- project-base former public housing properties that have been sold to nonprofit organizations, including PHA-affiliated nonprofits, and
- project-base an entire building in order to serve special populations.<sup>57</sup>

In addition, MTW agencies may adopt their own processes for awarding project-based assistance rather than follow the competitive process required under the standard voucher program regulations.

As shown in **Table 2**, the majority of MTW agencies (all but three) either currently have housing portfolios that include some form of project-based voucher assistance or they have plans to begin project-basing vouchers. This is a much higher rate of project-basing than undertaken by non-MTW PHAs. According to a 2010 HUD report, only about 15% of all PHAs were engaged in project-basing vouchers.<sup>58</sup>

**Table 2. MTW Policies Involving Project-Based Assistance**

33 PHAs with implemented MTW programs in 2011

Policy	Number of MTW PHAs	% of MTW PHAs
Currently using project-based assistance	26	79%
Planning to use project-based assistance	4	12%
Not currently using or planning to use project-based assistance	3	9%

**Source:** Table prepared by CRS based on review of MTW PHAs’ most recent annual plans, as of May 2012, accessed from HUD’s website: [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/ph/mtw/mtwsites](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw/mtwsites).

**Note:** Data exclude the two PHAs that were selected in 2011 because their plans were not yet implemented.

<sup>56</sup> 42 USC 1437f(o)(13).

<sup>57</sup> 2010 Report, pp. 26-27.

<sup>58</sup> HUD Office of Inspector General, *HUD Can Improve Its Oversight of Public Housing Agencies’ Section 8 Project-Based Voucher Programs*, Report No. 2011-CH-0001, November 16, 2010, p. 7, available at <http://www.hudoig.gov/pdf/Internal/2011/ig1150001.pdf>.



**Sample Policy: Keene Housing Authority (NH) and Project-Based Assistance**

The Keene Housing Authority (KHA) used its MTW flexibility to project-base the entirety of its public housing portfolio. In 2009, it sold the majority of its public housing stock to a nonprofit affiliate, which was able to obtain a mortgage for the sale based upon KHA's project-based funding stream. In turn, KHA used the proceeds from the sale of its public housing stock, \$5 million, to make capital improvements to these properties: this level of funding was the equivalent to 15 years of public housing capital funds. KHA then project-based the replacement vouchers it received from HUD to the very developments it had sold. Residents of the development were given the choice to receive a tenant-based voucher or to stay in their modernized developments, and only 12 residents chose to receive a tenant-based voucher. KHA was thus able to rehabilitate its public housing stock through a conversion to project-based voucher assistance without significant displacement of residents.

For more information on this sample policy, refer to HUD's Promising Practice Report series and MTW agencies' Annual Plans and Reports, all of which can be accessed at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/ph/mtw](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw).

**Level of Assistance: Income, Rent, and Conditions of Assistance**

Several MTW activities can affect the level of assistance provided to tenants. Under the standard public housing and the Housing Choice Voucher programs, statutory requirements determine a tenant's eligibility for assistance based on their income and the amount of subsidy they receive (which is related to the amount of rent they pay). Until 2011, MTW agencies had full discretion to experiment with alternative income calculations and alternative rent structures. In 2011, HUD issued guidance stating that, under the terms of the authorizing statute, MTW agencies must determine if families are income eligible for housing assistance based on the statutory income calculation; it is unclear when and how MTW agencies with approved alternative income calculations will become compliant with the new guidance.<sup>59</sup> Although MTW agencies will no longer be granted the discretion to use an alternative income calculation, they continue to have the discretion to implement alternative rent structures. In addition, MTW agencies have the discretion to set additional conditions of assistance for tenants, such as time limits, work requirements, and mandatory participation in self-sufficiency programs.

**Income and Rent Policies**

The industry groups that represent PHAs have argued that the statutory income calculations and rent structures for the public housing and Section 8 Housing Choice Voucher programs are overly complicated to administer, deter the reporting of income, and discourage tenants from increasing their income through work (since rent increases as income increases).<sup>60</sup> Thus, some MTW agencies have experimented with alternative income calculations and rent structures.

***Income Policies***

Under the law governing the public housing and Section 8 Housing Choice Voucher programs, "income" is defined as income from all sources and "adjusted income," which is used for the purposes of calculating tenant rent, is defined as income less statutory exclusions.<sup>61</sup> The law requires that income be examined every year.<sup>62</sup>

<sup>59</sup> U.S. Department of Housing and Urban Development. *PIH Notice 2011-45(HA)*. Last accessed May 15, 2012, at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/publications/notices/2011](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/publications/notices/2011).

<sup>60</sup> Public Housing Authority Directors Association, "Authorizing Legislation Opportunities and Possibilities," last accessed May 21, 2012, at <http://www.phada.org/pdf/2012%20Authorizing%20Legislation%20Position%20Paper.pdf>.

<sup>61</sup> 42 USC 1437a(b).

<sup>62</sup> 42 USC 1437a(a).



Some MTW agencies have used the flexibility provided by the demonstration to simplify their income calculations by limiting income exclusions and deductions and by not including the income derived from assets below a certain threshold value (e.g., \$50,000). As shown in **Table 3**, more than half of participating MTW agencies in 2011 were using some form of modified income or asset disregard and over one-quarter were using a modified set of deductions. (As noted earlier, given recent HUD guidance it is not clear whether MTW agencies will be able to continue all of these policies in the future.)

Most MTW agencies have experimented with reducing the frequency with which they verify tenants' income, particularly for populations likely to have fixed incomes, such as persons who are elderly or have disabilities. As noted earlier, federal housing law generally requires that tenant income be reexamined every year for rent determination purposes and on an interim basis for changes in tenant income. Some MTW agencies have elected to only reexamine tenants' income every two or three years and/or to eliminate interim reexaminations of income. As shown in **Table 3**, 88% of MTW agencies are using an alternate schedule for recertifying tenant income.

By adopting simpler income calculations, it is possible that MTW agencies are forgoing additional revenue or increasing their subsidy costs, but they may have concluded that those costs are worth the administrative savings or changes in tenant incentives. However, there are no data available to evaluate the cost-effectiveness of this approach.

### ***Rent Policies***

Under the traditional housing assistance programs, assisted tenants are required to pay no more than 30% of their incomes towards their rent, although PHAs are permitted to adopt low (\$50) minimum rent policies, which are subject to hardship exemptions.<sup>63</sup> Given this structure, generally, as tenants' incomes increase (and subsidies decrease), their rents increase; and as their incomes decrease, their rents decrease (and subsidies increase).

MTW agencies have used the flexibility provided by the demonstration to experiment with a variety of alternative rent structures. MTW agencies have adopted maximum (or ceiling) and (higher) minimum rents, flat rents (which do not vary with changes in tenant income), delayed and phased-in rent increases, stepped rents (which increase over time and not in relation to income), and alternative subsidies (see the "Sample Policy: MDHCD (MA) Self-Sufficiency Program" text box).

As shown in **Table 3**, most MTW agencies have adopted their own minimum rent policies, just under a quarter have adopted tiered rent policies, and more than a quarter have adopted flat rent policies. In addition, slightly less than a third of MTW agencies have simplified the utility calculation component of determining a tenant's subsidy.<sup>64</sup>

In interviews during the MTW program's initial evaluation in 2004, some MTW agency officials stated that they believed that alternative rent structures encourage work by not penalizing tenants for increases in income and that the alternative rent structures gave tenants exposure to a system more closely mimicking the private market.<sup>65</sup> These MTW agency officials also indicated that they thought the alternative rent structures were easier for tenants to understand and easier for staff to administer. At this time, there are no systematic data to evaluate the assertions that the

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<sup>63</sup> 42 USC 1437a and 1437f(o).

<sup>64</sup> PHA industry groups have reported that they find the utility calculation to be burdensome because of the multiple variables involved. HUD has made efforts to develop a tool that makes the calculation less burdensome. The tool can be viewed at <http://www.huduser.org/portal/resources/utlmodel.html>.

<sup>65</sup> 2004 Final Report, p. 71.

alternative rent structures adopted by MTW agencies have led to increased tenant earnings. Further, while it is reasonable to assume that the rent changes have decreased administrative work and changed (either increased or decreased) tenants' out-of-pocket payments, due to the lack of available data it is unclear what the magnitude of these outcomes might be.

**Table 3. MTW Policies Affecting Tenant Income and Rent**

33 PHAs with implemented MTW programs in 2011

Implemented Policy	Number of MTW PHAs	% of MTW PHAs
<b>Income Policies</b>		
Alternative recertification schedule	28	85%
Standard deductions	9	27%
Income/asset disregard	17	51%
<b>Rent Policies</b>		
Tiered rents	7	21%
Flat rents	9	27%
Minimum rents	17	52%
Simplified utility calculation	10	30%

**Source:** Table created by CRS using HUD-provided data.

**Note:** Data exclude the two PHAs that were selected in 2011 because their plans were not yet implemented.

## Conditions of Assistance

MTW PHAs have also used their flexibility to implement new requirements for tenants receiving assistance. Some MTW PHAs have implemented time limit and work requirement policies; as shown in **Table 4**, approximately one-third of MTW agencies have implemented work requirements while half as many MTW agencies have implemented time limit policies. These policies may be designed to encourage self-sufficiency and/or to allow the PHA to serve additional families from their waiting lists. Generally, MTW agencies implementing work requirement and time limit policies also provide families subject to the requirement with supportive services (see “Sample Policy: MDHCD (MA) Self-Sufficiency Program” text box). The specifications of the work requirements and time limits vary across MTW agencies. For instance, time limits adopted by MTW agencies for program participation range from three to seven years.<sup>66</sup>

**Table 4. MTW Policies Imposing Conditions of Assistance**

33 PHAs with implemented MTW programs in 2011

Implemented Policy	Number of MTW PHAs	% of MTW PHAs
Work requirements	10	30%
Time limits	5	15%

**Source:** Table prepared by CRS based on review of MTW PHAs' most recent annual plans, as of May 2012, accessed from HUD's website: [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/ph/mtw/mtwsites](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw/mtwsites).

**Note:** Data exclude the two PHAs that were selected in 2011 because their plans were not yet implemented.

<sup>66</sup> Data provided by HUD on April 3, 2012.

### Sample Policy: MDHCD (MA) Self-Sufficiency Program

The Massachusetts Department of Housing and Community Development (MDHCD) implemented its MTW program within Boston and Worcester and used similar strategies to conduct a limited (61 participants in Boston and 122 in Worcester) self-sufficiency program in both areas. MDHCD's MTW program attempted to encourage self-sufficiency by providing an annual stipend to be used for rental assistance, savings within an escrow account, and supportive services. The amount of the stipend that could be spent on rental assistance was limited and families were required to deposit a monthly amount from the stipend into their individual escrow accounts. Families were permitted to use the remainder of the stipend to fund services to support self-sufficiency. Families were able to select the services they wished to receive, with the assistance of their case managers.

What is unique in this model is that families were given the autonomy to decide how assistance dollars would be directed—in both MTW locations families used less of their stipend for housing over time, allowing for greater savings and more supportive services. There was a three-year time limit for the program and, according to the PHA, the majority of program participants left the program successfully. For instance, the Boston program saw the average participating family's income increase by 156% during the three-year period. Officials from MDHCD believed that the program structure was successful in encouraging self-sufficiency, but also believed that the program's time limit needed to be extended to five years to provide sufficient support.

For more information on this sample policy, refer to HUD's Promising Practice Report series and MTW agencies' Annual Plans and Reports, all of which can be accessed at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/ph/mtw](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw).

## New Administrative Flexibilities

Many of the policies already discussed may result in decreased administrative burdens for MTW agencies (e.g., alternative recertification schedules, streamlined project-basing), but there are additional policies that MTW agencies have adopted that streamline operations without altering the level or type of assistance that families receive. Examples include alternative housing quality inspection schedules and alternative reporting requirements.<sup>67</sup>

### Inspections

In the Section 8 Housing Choice Voucher program, each rental unit under contract must be inspected to ensure it meets HUD's physical quality standards annually, based on the date of a family's initial occupancy. These policies are designed to ensure that assisted housing units are of a decent quality. PHA industry groups have contended that the inspection requirements, as currently structured, require a high level of staff resources. They have also argued that in some cases it is not necessary to inspect units every year to ensure housing quality. Reflecting these concerns, some MTW agencies have clustered their inspections based on location and some have alternative inspection schedules, such as risk-based inspections (see "Sample Policy: The Oakland Housing Authority (CA) and Biennial Inspections" text box). The risk-based model of inspection can include, for landlords with good records: less frequent inspections, the self-certification of units, and the inspection of a sample of a landlord's rental units.

As shown in **Table 5**, only a couple of MTW agencies are clustering inspections, but 38% are conducting inspections less frequently than annually and 19% are allowing owners to self-certify under certain conditions.<sup>68</sup>

<sup>67</sup> 2010 Report, pp. 37-38.

<sup>68</sup> HUD has recently issued guidance permitting all PHAs to allow owners to self-certify for minor repairs, similar to practices implemented by MTW PHAs (See Notice PIH 2011-29 (HA) at <http://portal.hud.gov/hudportal/documents/huddoc?id=pih2011-29.pdf>).

The authorizing language for the MTW program states that MTW agencies must ensure that assisted housing meets federal housing quality standards (HQS). HUD's 2010 Report to Congress suggests that the alternative HQS inspection procedures adopted by MTW agencies have ensured the quality of the assisted housing stock in a less burdensome and costly way.<sup>69</sup> However, at this time, a full evaluation has not been conducted as to whether the alternative HQS inspection procedures are either more or less effective than the regulated program procedures in ensuring the quality of Section 8 voucher-assisted rental units. Additional research would be necessary to evaluate the effectiveness and efficiency of the traditional inspection procedures compared to alternative inspection procedures.

**Table 5. MTW Inspection Policies**  
33 PHAs with implemented MTW programs in 2011

Implemented Policy	Number of MTW PHAs	% of MTW PHAs
Less frequent inspections	13	39%
Clustering inspections	2	6%
Self-certification	7	21%

**Source:** Table created by CRS using HUD-provided data.

**Note:** Data exclude the two PHAs that were selected in 2011 because their plans were not yet implemented.

#### **Sample Policy: The Oakland Housing Authority (CA) and Biennial Inspections**

The Oakland Housing Authority (OHA) reduced the costs of inspections by approximately \$200,000 in FY2011 through the implementation of biennial inspections. The biennial inspection policy factors in risk based on a unit's prior inspection. If a unit passed its original inspection, it is only inspected every other year. If a unit fails its first inspection, it receives annual inspections until it has passed two consecutive inspections. Additionally, in this model units that have failed to meet HQS standards after two inspections are inspected semi-annually for the next year. The OHA believes that this model allows it to focus its inspection efforts on units most at risk of violating HQS inspection standards, which also decreases the inspection burden on compliant landlords. OHA also notes that biennial inspections are less intrusive to residents.

For more information on this sample policy, refer to HUD's Promising Practice Report series and MTW agencies' Annual Plans and Reports, all of which can be accessed at: [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/ph/mtw](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw).

## **Reporting**

Another area where MTW agencies differ involves how they report program information to HUD (due to the different accountability structure afforded the MTW demonstration program, as discussed previously in the report). MTW agencies are required to submit an Annual MTW Plan, which outlines their activities for the year, and an Annual MTW Report, which describes and evaluates the outcomes of those activities. Non-MTW agencies must also submit plans, but they are more prescriptive than MTW plans and are focused on how PHAs are meeting federal rules and regulations and which among a more limited set of options they are choosing and why.

MTW officials interviewed by the Urban Institute in 2004 believed that MTW reporting requirements encouraged program creativity and strategic planning and that, while some of their MTW activities would have been possible outside of the demonstration program, they would not

<sup>69</sup> 2010 Report, pp. 37-38.

have attempted these activities but for the MTW planning process.<sup>70</sup> These same officials viewed other assisted housing program reporting requirements as merely the fulfilling of an obligation.<sup>71</sup>

MTW agencies formerly had additional flexibility to implement activities that were not included in their Annual MTW Plans if those activities were allowable under their specific MTW waivers.<sup>72</sup> However, since the implementation of the standard MTW agreement in 2008, MTW agencies must now include any new MTW activities in their Annual MTW Plans for HUD's approval before implementation; with this change, HUD has more knowledge of MTW agencies' activities and the way in which the agencies plan to measure their outcomes.<sup>73</sup> However, GAO has noted that the current reporting process, which relies heavily on the Annual MTW Plan and Annual MTW Report, allows MTW agencies to self-report on the achievement of their target program outcomes without verification.<sup>74</sup> HUD has also reported that some MTW agencies have struggled with the new reporting requirements after not reporting on activities for up to 11 years.<sup>75</sup> In addition, several of HUD's reporting systems continue to lack the capacity to accept data on MTW-specific activities.

## Observations about Outcomes

As previously stated, there has been no systematic evaluation of the outcomes of the policies adopted by MTW agencies in achieving the goals of the program (reduce costs and increase cost-effectiveness in the provision of assisted housing, encourage the self-sufficiency of assisted families, and increase the housing choices for low-income families). A more systematic evaluation may be possible in the future, as HUD standardizes the program and increases the program's data collection.

Despite the lack of verified evidence regarding the effectiveness and efficiency of MTW activities, tenant advocates, PHAs, and HUD have made observations about the way in which the program has affected tenants and the way it has affected PHAs' operations. These observations are neither tested nor quantified, but they do inform policy debates about the future of the MTW demonstration program and about overall reform of assisted housing programs.

## Tenant Outcomes

Since the beginning of the demonstration program, low-income housing advocates have expressed concern that assisted housing tenants will be and have been negatively affected by the policies adopted by MTW agencies. (For example, see "Public Opposition to MTW Participation: The New York City Housing Authority (NYCHA)" text box.) Whether the implementation of the MTW demonstration program has positively or negatively affected assisted housing tenants has not been thoroughly studied and is thus unclear.

HUD has suggested that MTW has permitted participating PHAs to provide a greater number of assisted housing units than they would have been able to provide under the traditional assistance

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<sup>70</sup> 2004 Final Report, p. 36.

<sup>71</sup> Ibid, p. 36.

<sup>72</sup> Ibid, p. 18.

<sup>73</sup> Ibid, p. 18.

<sup>74</sup> U.S. Government Accountability Office, *Moving to Work Demonstration: Opportunities Exist to Improve Information and Monitoring*, GAO-12-490, April 2012, p. 30.

<sup>75</sup> 2004 Final Report, p. 18.

programs.<sup>76</sup> This would mean that the MTW program has provided a benefit to low-income individuals more broadly. However, the ability of MTW agencies to assist a greater number of families may be a result of agencies reducing the amount of assistance provided to current recipients, rather than a result of savings from administrative streamlining. For example, some PHAs have implemented policies that reduce the amount of rental assistance that an individual tenant receives (e.g., requiring tenants to pay rent above the affordability standard of 30% of tenant income).

Similarly, while the self-sufficiency policies and programs implemented by MTW agencies could potentially benefit some low-income individuals over the long term by facilitating increases in family income, it is unclear if time limit and work requirement policies have resulted in needy families losing access to assistance. Finally, there have been reports that MTW agencies have reduced tenants' access to portability (the ability to move from one PHA's jurisdiction to another's using the same voucher), which would limit tenants' housing choices.<sup>77</sup> Further research would be required to know the net benefit of MTW discretion to low-income individuals receiving or waiting to receive assistance.

In addition, the MTW demonstration program has facilitated the large-scale demolition of public housing in some communities, significantly affecting the lives of the tenants in those developments. Although MTW agencies are subject to the same rules and procedures for the demolition and disposition of public housing as non-MTW PHAs, the flexibility of being an MTW agency may make the demolition and disposition of an agency's public housing stock more feasible. As noted earlier, the Atlanta and Chicago PHAs are two MTW agencies that have demolished the majority of their public housing stock, replacing some of the lost stock with vouchers and mixed-income developments.

PHAs pursuing this strategy contend that the replacement housing is of better quality than the demolished public housing and provides more opportunities for residents. Tenant advocates have objected to this type of large-scale displacement of public housing residents; they argue that the relocations destroy communities and employment networks and make social services less accessible.<sup>78</sup>

The primary research on the effects on tenants of the demolition and disposition of public housing has looked at the results of the HOPE VI public housing revitalization program. HOPE VI has funded the demolition or redevelopment of severely distressed public housing, including public housing owned by MTW agencies. Research conducted by the Urban Institute on the outcomes of HOPE VI has shown mostly positive results for tenants. Tenants who were displaced from severely distressed public housing appear to now live in lower-poverty neighborhoods with improved health outcomes.<sup>79</sup> However, research has also found that some tenants who are considered to be particularly vulnerable (such as very large families, families with disabled members, and families with multiple barriers to self-sufficiency) have not seen the same levels of benefit from public housing revitalization and may require additional services.<sup>80</sup>

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<sup>76</sup> 2010 Report, p. 34.

<sup>77</sup> U.S. Government Accountability Office, *Moving to Work Demonstration: Opportunities Exist to Improve Information and Monitoring*, GAO-12-490, April 2012, p. 36.

<sup>78</sup> For example, see Sudhir Venkatesh and Isil Celimli, "Tearing Down the Community," *Shelterforce*, November/December 2004.

<sup>79</sup> Susan J. Popkin, Diane K. Levy, and Larry Buron, "Has HOPE VI Transformed Residents' Lives? New Evidence from the HOPE VI Panel Study," *Housing Studies*, vol. 24, no. 4 (July 2009), pp. 477-502.

<sup>80</sup> Larry Buron, Diane K. Levy, and Megan Gallagher, *Housing Choice Vouchers: How HOPE VI Families Fared in the Private Market*, The Urban Institute, Washington, DC, June 2007.



### **Public Opposition to MTW Participation: The New York City Housing Authority (NYCHA)**

For NYCHA, the opposition of tenants and their advocates has forestalled the agency's participation in the MTW demonstration program. NYCHA has pursued participation in the MTW program several times in the past, but its participation was met with opposition from tenants and their advocates due to the lack of guaranteed tenant protections in the MTW demonstration program. For example, in 1997 NYCHA abandoned its application to the MTW program because it could not garner community support. NYCHA's current public documents, such as its Roadmap for Preservation and Plan NYCHA, indicate that it is undertaking efforts (e.g., roundtables with tenant advocates) to build community support to become an MTW agency.

At the crux of tenants' and advocates' opposition is the question of tenants' protections under the MTW demonstration program; these groups oppose rent increases, work requirements, and time limits. Although NYCHA has claimed that it will not pursue activities that would harm tenant protections, the agency has also made clear that the agency's position might change in the future. Tenants and their advocates have asked for a memorandum of understanding listing the tenant protections that would exist for NYCHA's tenants under MTW, but NYCHA is unwilling to enter such an agreement because the agency believes that such an agreement would not be binding for future boards. (For more information, see NYCHA's website at <http://www.nyc.gov/html/nycha/html/news/chairman-dialogue-w-dinkins.shtml> and Jarrett Murphy, "As NYCHA Seeks Flexibility, Tenant Advocates Concerned," *City Limits*, March 13, 2012, available at <http://www.citylimits.org/blog/blog/197/as-nycha-seeks-flexibility-tenant-advocates-concerned>.)

## **Outcomes for PHA Operations**

While the data available are insufficient to know if the discretion afforded to MTW agencies allows for a more cost-effective administration of assisted housing programs, the belief that the program has been a success on this front is generally held by supporters of the program, including PHA industry groups, some assisted housing practitioners, and some Members of Congress. The fact that most participating PHAs have chosen to renew their participation and more PHAs wish to participate than there are advertised slots is evidence of the popularity of the program among assisted housing practitioners. Congress has exhibited some support for the program by taking action to expand the number of agencies participating. Further, HUD officials have suggested that they believe MTW agencies are more cost-effective in their administration of assisted housing.

However, this belief that MTW has been successful at improving cost effectiveness and efficiency is not universally held. Some low-income housing advocates have argued that MTW agencies administer assisted housing at a higher cost than non-MTW agencies.<sup>81</sup> Some advocates have also suggested that, in a limited funding environment, the negotiated funding MTW agencies receive negatively affects the funding of other PHAs. While MTW agencies' funding levels are subject to the same across-the-board decreases in funding that apply to non-MTW agencies, it is unclear how MTW agencies' funding levels would have fared if they were subject to the standard funding formulas instead of their negotiated agreements.

Supporters of MTW have claimed that the increased discretion afforded to MTW agencies decreases administrative burdens without increasing oversight risk. In the traditional structure of assisted housing programs, PHAs are held accountable through a regulatory structure that monitors if PHAs have delivered assisted housing according to the rules of the specific programs. As a result, PHAs are evaluated based on their ability to follow processes rather than the outcomes of their activities. A traditional regulatory oversight model may be perceived as a necessary tool to guard against waste, fraud, and abuse.

<sup>81</sup> Will Fisher, *Expansion of HUD's Moving-to-Work Demonstration is Not Justified: Other Approaches Would Promote Demonstration's Goals More Effectively*, Center on Budget and Policy Priorities, September 27, 2011.



MTW agencies are not subject to this form of regulatory accountability, and instead define their own outcome goals and then self-report their effectiveness in meeting these goals to HUD through their annual MTW reports. Supporters of the MTW program argue that this structure allows MTW agencies to pursue innovative strategies and focus on program outcomes and long-term planning.

PHA industry groups point to the experiences of MTW agencies as support for deregulation and a move away from traditional, regulatory oversight. However, it is unclear whether the use of program funds by MTW agencies has been monitored closely enough to fully evaluate their outcomes.

## **Future of the MTW Demonstration Program**

The current MTW agreements are all scheduled to expire in 2018. If no other actions are taken, the program is slated to continue as-is until that time, and it will be at HUD's discretion whether to renew the agreements again. However, the future of the MTW demonstration remains uncertain. Some supporters have proposed expanding MTW, converting it from a demonstration into a permanent program, and allowing more PHAs to participate in it. Other proposals have called for continuation of the program, with perhaps a limited expansion, but with changes designed to address concerns raised by tenant-advocates and to allow for a stronger evaluation component. Critics of MTW have called for it to be phased out and, in some cases, replaced with targeted demonstrations that would allow for more meaningful evaluations to inform future policy changes.

These differences of opinion highlight the outstanding question of whether the MTW demonstration program should be considered a lab for testing new ideas for reforming the primary rental assistance programs or whether some version of the MTW program is the future of assisted housing. Depending on their perspective about the purpose of the program, policymakers may consider changing the MTW program to make it a more effective demonstration, changing the MTW demonstration into a permanent and expanded program, or maintaining the status quo.<sup>82</sup>

### **Policy Option: Restructure MTW as More Effective Demonstration**

The purpose of the MTW demonstration program, as articulated in its authorizing statute, is to “design and test various approaches for providing and administering housing assistance” that meet the goals of the program. As noted earlier, those goals involve reducing cost and increasing cost-effectiveness, promoting work and self-sufficiency, and increasing family choice. The statute charged the Secretary of HUD with evaluating participating agencies “in an effort to identify replicable program models promoting the purpose of the demonstration.”

As discussed throughout this report, the way that the MTW demonstration program was designed and implemented has limited the effectiveness of the program as a true demonstration. While PHAs have used the MTW flexibilities to “test various approaches for providing and

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<sup>82</sup> It is possible that the restructuring or the expansion of the MTW demonstration program would require additional resources. A more effective demonstration would require more systematic data collection while an expanded program would require more monitoring, both of which are more labor intensive than the MTW demonstration program's current operations. However, the resources needed for additional monitoring and more systematic data collection may be within HUD's current capacity; it is unclear that HUD would need additional staffing or funding in order to restructure or expand the program (GAO Report April 2012, pp. 35-36.)

administering housing assistance,” those models have not been fully assessed in terms of whether they effectively or efficiently meet the purposes of the demonstration.

Recognizing the limitations of the MTW program as a demonstration, some have called for changes to MTW to allow it to more clearly serve research-oriented purposes. For example, the Center on Budget and Policy Priorities has argued that a set of targeted, temporary demonstrations would be a more effective mechanism to test specific policy changes.<sup>83</sup>

Recently, HUD has proposed expanding the MTW demonstration program to 60 agencies as part of an effort to structure a systematic evaluation.<sup>84</sup> HUD’s proposals include a more targeted selection of MTW agencies, which would allow for the study of particular policies (e.g., admitting a subset of agencies that plan to implement a particular rent policy). HUD has also stressed the importance of selecting high-performing agencies that have the capacity to take part in a rigorous evaluation. HUD’s intended goal would be to evaluate the policies implemented by MTW agencies for national adoption. Similar proposals have been included in assisted housing reform legislative proposals, such as the Section 8 Voucher Reform Act and the draft Affordable Housing and Self Sufficiency Improvement Act (AHSSIA).<sup>85</sup>

## **Policy Option: MTW as an Expanded Permanent Program**

As noted earlier in this report, the legislative history of the MTW demonstration program indicates that its creation was a compromise between policymakers who thought that the existing set of rental assistance programs should be transformed into a flexible block grant program and those who thought the existing programs should be retained. The MTW compromise allowed for the creation of a new, block grant-like housing program for a small number of PHAs, and the maintenance of the existing programs for most PHAs. Over time, more PHAs have been added to MTW than originally envisioned and many additional PHAs wish to receive MTW status.

The desirability of MTW for PHAs has led to calls to expand and make MTW a permanent program. For example, the Moving to Work Charter Program Act, which has been introduced in each of the past several Congresses, would expand to at least 250 the number of PHAs eligible to participate in MTW and make it a permanent program.<sup>86</sup>

Others have called for block granting and deregulating federal housing assistance for all PHAs, along the lines of MTW. For example, in 2004 the Bush Administration proposed the Housing Assistance for Needy Families program, which was modeled on MTW and would have converted housing assistance into a block grant, allowing PHAs many of the same flexibilities provided under MTW. That proposal did not receive wide support. PHA industry groups raised concerns that a block grant funding model could lead to funding reductions down the road, as has been seen with other HUD block grant programs.<sup>87</sup> Tenant advocates raised concerns that deregulation would mean that they would lose protection in the law against policies that would raise tenants’

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<sup>83</sup> Will Fisher, *Expansion of HUD’s Moving-to-Work Demonstration is Not Justified: Other Approaches Would Promote Demonstration’s Goals More Effectively*, Center on Budget and Policy Priorities, September 27, 2011.

<sup>84</sup> 2010 Report, p. 8.

<sup>85</sup> For more information about these reform proposals, see CRS Report RL34002, *Section 8 Housing Choice Voucher Program: Issues and Reform Proposals*, by Maggie McCarty.

<sup>86</sup> The most recent version is S. 117, introduced in the 112<sup>th</sup> Congress by Senator Vitter.

<sup>87</sup> For more information about trends in funding for HUD block grant and other programs, see CRS Report R42542, *Department of Housing and Urban Development (HUD): Funding Trends Since FY2002*, by Maggie McCarty.

rents and subject them to conditions of assistance they felt would be unreasonable.<sup>88</sup> A differently structured block grant proposal could garner wider support, although some of the same concerns raised in 2004 could be raised again.

In addition, HUD has expressed concern about the capacity of some agencies entering the MTW demonstration program. As previously mentioned, some of the PHAs admitted to the current program were considered poor performers prior to entering. HUD argues that high performers are more likely to succeed because they have proven their ability to meet reporting requirements and thus will be able to report on their activities and outcomes as required in the MTW demonstration program.<sup>89</sup> HUD has also recommended that PHAs be selected for the program based on evaluation capacity, previously demonstrated innovation, and the level of local support. Finally, it is unclear if the MTW program as currently designed, or if a fully deregulated block grant program, would be a good program model for small PHAs, particularly those that administer only the public housing program or only the Housing Choice Voucher program.

## **Policy Option: The Status Quo**

Another option for policymakers is to make no changes and allow the MTW demonstration program to continue as it is currently structured. The existing MTW agencies have agreements through 2018 (with the possibility for extensions beyond that date, at HUD's discretion). Congress may also consider adding small numbers of additional agencies, as it has done the past several years. Further, as noted earlier, HUD has taken some steps to address concerns raised by critics of the existing program, such as increasing MTW reporting requirements, standardizing agreements, and including evaluation requirements for new agencies entering the program.

If the program continues as is, participating PHAs will continue to experiment with new policies that may influence the primary assisted housing programs. Even without a full evaluation of the policies adopted by MTW PHAs, it appears that both HUD and policymakers are considering incorporating some of the reforms adopted by MTW agencies into the mainstream programs. Both the Obama Administration and some Members of Congress from both parties have proposed or supported changes to HUD rental assistance programs that would either require or allow PHAs to adopt policies that MTW PHAs have experimented with, including

- changes to inspection rules, including allowing biennial inspections;
- changes to income calculation rules, including allowing alternate sources of documentation or definitions of income and a streamlined calculation process;
- changes to rent policies, including higher minimum rents and/or a limited rent policy demonstration;
- expanded authority to PHAs to “voucher-out” their public housing and replace it with project-based assistance; and
- allowance for PHAs to blend their public housing operating and capital funding.

While bipartisan consensus seems to be forming in favor of adopting some reforms based on the MTW demonstration, other policies remain controversial, particularly those involving changing the amount of assistance provided to residents and placing conditions (such as time limits and work requirements) on the receipt of such assistance. Tenant advocates and researchers continue

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<sup>88</sup> For more information, see CRS Report RL33270, *The Section 8 Housing Voucher Program: Reform Proposals in the 108<sup>th</sup> and 109<sup>th</sup> Congresses*, by Maggie McCarty.

<sup>89</sup> 2010 Report, p. 62.

to have questions and concerns about the effects of these and other policies on tenant outcomes, as well as the other stated purposes of the demonstration.

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